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BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268–0001

PERIODIC REPORTING (PROPOSAL FOUR)	Docket No. RM2021-7

PETITION OF THE UNITED STATES POSTAL SERVICE FOR THE INITIATION OF A PROCEEDING TO CONSIDER PROPOSED CHANGES IN ANALYTICAL PRINCIPLES (PROPOSAL FOUR)
(July 22, 2021)

Pursuant to 39 C.F.R. § 3050.11, the Postal Service requests that the Commission initiate a rulemaking proceeding to consider a proposal to change analytical principles relating to the Postal Service's periodic reports. The proposal, relating to improvements in the development of distribution factors for Special Purpose Route (SPR) city carrier cost pools that can be achieved using Product Tracking and Reporting (PTR) data to initiate a new Special Purpose Carrier Cost System (SPCCS), is labeled Proposal Four and is discussed in detail in the attached text.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

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PROPOSAL FOUR

Proposal to Use PTR Scan Data for Distributing City Carrier Special Purpose Route Costs for Regular Monday Through Saturday Delivery

BACKGROUND:

In Docket No. RM2009-10, the Commission approved Proposal Eight replacing distribution factors developed in Docket No. R97-1 with factors from a newly developed subsystem of CCCS (CCCS-SPR). Order No. 339 (November 13, 2009) at 12-13. CCCS-SPR distribution factors have been used for this purpose each year since FY2009.

In Docket No. RM2018-5, the Commission approved the use of TACS workhours to develop Sunday/holiday city carrier costs, and the use of PTR scan data to distribute those costs. Order No. 4972 (January 8, 2019) at 29-30. More recently in Docket No. RM2019-6, the Commission approved updated regular and Sunday/holiday variabilities estimated from econometric models that incorporated TACS and PTR scan data. Order No. 5405 (January 14, 2020) at .41.

All parcel products now have barcodes, either domestic Intelligent Mail package barcode (IMpb) or international customs barcodes, that provide sufficient information such that the specific product can be identified. Moreover, carriers reliably scan parcels upon delivery. These circumstances provide the opportunity to replace manual data collection, formerly required for product identification, with data that are automatically collected in the normal course of operations.

PROPOSAL:

Delivery costs for Special Purpose Routes on weekdays are currently distributed to products based on manual data collection in the CCCS-SPR sampling subsystem. Proposal Four would replace CCCS-SPR with a new system labelled as the Special Purpose Carrier Cost System (SPCCS). This proposal has two objectives:

a) it seeks to replace manual sampling with scan data from Product Tracking and Reporting (PTR) combined with the clock rings from the Time and Attendance Collection System (TACS); and

b) it would separate the weekday SPR cost pool into peak and non-peak pools and provide separate distribution factors for each cost pool.

Specifically, the proposal uses PTR delivery scans that occur during the time block when a city carrier is clocked to selected MODS Operation Codes specific to Special Purpose Routes. Due to the disproportionate resources required to obtain a complete nationwide census, a sample of time blocks is selected for estimation of the product distribution factors. The time blocks are stratified by a number of attributes: the route subcategory, the carrier subcategory, and the duration of the time block. More information and details about the frame creation, sample design, data collection procedures, and estimation techniques appear in the SPCCS System Documentation document that is included in the .zip file attached to this proposal.[1]

[1] The last section of the SPCCS System Documentation also presents a description of the other files included in the .zip file.

In combination with the above proposal, the Postal Service suggests dividing the SPR weekday cost pool into two separate cost pools; one each for peak and non-peak time periods. The addition of these cost pools with their respective distribution keys also requires the disaggregation of volume variabilities used for the SPR Monday through Saturday cost pool.

Docket No. RM2019-6 details the use of a restricted quadratic model in estimating eight variability equations: one each for small (<2 FTE) and regular (>=2 FTE) sites for four different times of the year using data collected for one week in March, June, September, and December.[2] No changes are proposed for combining the variabilities among small and regular SPR sites; all equations and variabilities will remain the same. However, instead of combining the four time periods together to obtain one Monday through Saturday variability, the volume variability estimated using the December data would stand alone for the Monday through Saturday peak SPR cost pool. Correspondingly, the variabilities estimated using the March, June, and September data would be combined to obtain a single volume variability for the Monday through Saturday non-peak SPR cost pool. Additionally, the Postal Service proposes updating annually the hours used to weight the non-peak variabilities. As was presented in Docket No. RM2019-6 table 36, the accrued TACS hours for different time segments of the year are used to weight the time segment variabilities to form one overall SPR Monday through Saturday SPR variability.[3] Given the separation of the cost pool and the availability of

[2] Docket No. RM2019-6, "A New Study of Special Purpose Route Carrier Costs" (June 21, 2019), p. 31.
[3] Docket No. RM2019-6, Study Report, p. 83.

the data, the Postal Services believes an annual update of the hours that are used to weight the combination of the new Monday through Saturday non-peak SPR cost pool variability to be prudent. The time segment combinations would remain the same, and the variabilities used would be those for the restricted quadratic model that the Commission ultimately approved (instead of the full quadratic model presented in table 36).[4] The annual updating of the variability weights will ensure proper accounting for any potential year-to-year seasonality shifts.

RATIONALE:

This proposal continues the momentum of using operational data in product costing by selecting a stratified sample of employee time segments from TACS and matching them with delivered mailpiece scan data from PTR, in much the same way as in the recent SPR Study approved in Docket No. RM2019-6.[5] However, instead of a sample of data from only four specific weeks of the year, SPCCS will be an ongoing system that will sample PTR data from all SPR deliveries on weekdays. Although it is not currently feasible to use a census of operational data because of computer resource limitations, the proposed sample size -- 26,000 samples per year -- is much larger than the current CCCS-SPR that has only 1,000 samples per year.

One benefit of the proposed SPCCS is that it enables collection of enough data to estimate separate distribution factors for peak and non-peak time periods. The current

[4] Docket No. RM2019-6, Order No. 5405 (January 14, 2020), p. 34.
[5] Docket No. RM2019-6, Order No. 5405 (January 14, 2020), p. 13.

CCCS-SPR system was not designed to accomplish this. For example, because CCCS-SPR samples route-days that are selected based on the previous quarter, not the previous year, routes that are utilized only during peak season are often not included in the samples generated for Q1. Because data collector resources are limited, it is not possible to increase the number of samples during peak season relative to the rest of the year. Since the sample size for CCCS-SPR is relatively small, there are insufficient data to generate a separate estimate for peak season. By contrast, the proposed SPCCS obtains scan data retrospectively, can sample employee-time-blocks during peak more heavily than during non-peak time periods, and so can include a large number of barcodes that were delivered during peak season.

The coefficients of variation (CVs), which measure the precision of the ratio estimates used to distribute costs for the fiscal year, are expected to be significantly improved for the major products. CVs for non-peak season estimates are expected to be reduced by almost 80 percent relative to the CVs for the current CCCS-SPR full-year estimates. CVs for peak season alone are expected to be reduced by approximately 50 percent relative to the current CCCS-SPR full-year estimates, despite representing only a five- or six-week period of the year.

Moreover, SPCCS would improve the sampling of routes that deliver irregularly or infrequently. Many CCCS-SPR tests are scheduled on days when the selected route has no activity, creating inefficient tests and allocations of data collection resources. To improve sampling efficiency, CCCS-SPR does not include routes that incur fewer than

10 hours on LDC 23 operations in the 4-week period used for sample selection. These routes represent about 10 to 15 percent of LDC23 activity. The SPCCS, by analyzing PTR data retrospectively, fully incorporates the data from these infrequent and irregular routes that are currently excluded from CCCS-SPR.

An additional benefit of SPCCS is that it enables separate estimates by the carrier subcategory, part- or full-time. In the current CCCS-SPR, which samples by route-day, multiple employees from both categories may clock to the same route on the same day. By contrast, SPCCS uses employee-time-blocks as the sample unit, so that procedure can incorporate the carrier subcategory when stratifying samples and when developing estimates.

A final benefit is that SPCCS does not require labor resources for manual data collection, further assisting the Postal Service by reducing data collection costs.

IMPACT:

Table 1 presents the unit costs for city carrier delivery in FY2020, including indirect costs, along with the new unit costs from this proposal, and associated change in unit costs.

Table 1: Impact on City Carrier Delivery Unit Costs

Product	Existing Unit Cost	New Unit Cost	Change in Unit Cost
First-Class Mail	$0.000	$0.000	$0.0000
Single-Piece Letters	$0.085	$0.085	$0.0000
Single-Piece Cards	$0.110	$0.110	$0.0000
Presort Letters	$0.045	$0.045	$0.0000
Presort Cards	$0.046	$0.046	$0.0000
Single-Piece Flats	$0.249	$0.249	-$0.0002
Presort Flats	$0.199	$0.199	-$0.0001
Total First-Class Mail	$0.061	$0.061	$0.0000
USPS Marketing Mail			
High Density and Saturation Letters	$0.048	$0.048	$0.0000
High Density and Saturation Flats/Parcels	$0.065	$0.065	$0.0000
Every Door Direct Mail-Retail	$0.060	$0.060	$0.0000
Carrier Route	$0.130	$0.130	$0.0000
Letters	$0.047	$0.047	$0.0000
Flats	$0.165	$0.164	-$0.0001
Parcels	$0.238	$0.254	$0.0151
Total USPS Marketing Mail	$0.063	$0.063	$0.0000
Periodicals			
In County	$0.104	$0.103	-$0.0002
Outside County	$0.143	$0.143	-$0.0002
Total Periodicals	$0.139	$0.138	-$0.0002
Package Services			
Bound Printed Matter Flats	$0.216	$0.214	-$0.0016
Bound Printed Matter Parcels	$0.399	$0.401	$0.0014
Media/Library Mail	$0.419	$0.420	$0.0015
Total Package Services	$0.334	$0.335	$0.0003
US Postal Service	$0.199	$0.201	$0.0018
Free Mail	$0.211	$0.210	-$0.0019
Ancillary Services			
Certified Mail	$0.980	$0.975	-$0.0053
COD	$2.200	$2.026	-$0.1743
Insurance	$0.140	$0.152	$0.0123
Registered Mail	$1.043	$1.025	-$0.0182
Total Domestic Market Dominant Services	$1.037	$1.023	-$0.0144
Total Domestic Competitive Mail and Services	$0.449	$0.449	$0.0001
Total International Mail And Services	$0.222	$0.219	-$0.0029

Included in the .zip file attached to this Petition electronically are Excel workbooks providing further details on the impact information displayed in Table 1. As noted above, the .zip file also contains documentation for the SPCCS, as well as SAS programs and datasets. A corresponding set of nonpublic datasets and workbooks, presenting more detail on competitive products, is being provided under seal within USPS-RM2021-7-NP1.